

INTERSTATE  
DEPARTMENT STORES, INC.  
NEW YORK, N. Y.

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ANNUAL REPORT

YEAR ENDED  
JANUARY 31, 1942

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## DIRECTORS

ROBERT S. ADLER	R. C. KRAMER
REAGAN P. CONNALLY	HAROLD F. LINDER
CHRISTIAN E. DAHLGREN	WILL I LEVY
CHARLES E. FEDERMAN	ALBERT PARKER
PAOLINO GERLI	HAROLD J. SZOLD

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## OFFICERS

<i>President</i> .....	REAGAN P. CONNALLY
<i>Chairman of the Board</i> .....	R. C. KRAMER
<i>Vice President</i> .....	WILLIAM ONASCH
<i>Vice President</i> .....	BENJAMIN W. STREIFLER
<i>Treasurer</i> .....	FRANK J. MELEY
<i>Secretary</i> .....	ALBERT PARKER
<i>Assistant Treasurer</i> .....	DAVID SPIELMAN
<i>Assistant Secretary</i> .....	EDWARD C. SCHENKEL



APRIL 14, 1942.

TO THE STOCKHOLDERS OF  
INTERSTATE DEPARTMENT STORES, INC.

There are submitted herewith the Consolidated Financial Statements of the Company and its subsidiaries as of January 31, 1942 and for the fiscal year then ended.

The consolidated net profit after Federal Income and Excess-Profits Taxes amounted to \$1,117,655, compared with a profit of \$534,440 in the preceding year. The net profit after payment of Preferred dividends was equivalent to \$3.23 per share on 301,846 shares of Common Stock, compared with earnings of \$1.28 per share on the same number of shares in the previous year.

Sales for the year ended January 31, 1942 were \$31,302,110 compared with \$25,110,191 last year in the same number of stores.

The net working capital as of January 31, 1942 was \$4,995,594 compared with \$4,447,160 in the previous year.

Inventories, including merchandise in transit, were \$5,090,259 which was \$1,778,501 more than a year ago. This increase in inventory was more than the ratio of increased sales but is in keeping with general conditions and what we believe to be conservative planning.

Customers' accounts receivable (almost wholly installment and coupon books) after reserves were \$2,082,633 on January 31, 1942, as compared with \$1,495,091 on January 31, 1941, an increase of \$587,542. These accounts are in good current condition, and reserves were increased during the year to provide for the larger balances outstanding.

During the fiscal year the Company purchased for retirement 645 shares of Preferred Stock at an average cost of \$93.59 per share.

The remodelling program was continued throughout the year. One entirely new store, the largest in our group, was completed and is now in operation in Utica, New York. Nine other stores were either completely or partially remodelled.

It has been the policy of your Company and its subsidiaries to lease the stores which they operate. However, the building in Springfield, Ohio, has been owned since the inception of the Company. In 1935 the building in Peoria, Illinois and in 1937 the building in Davenport, Iowa were purchased because by such purchases substantial rental reductions were secured with no increased financial cash outlay. Through a term bank loan made in December, 1940, the Company paid off the mortgage on the Peoria property and the two mortgages on the Davenport property. Again this step was taken to reduce rental cost. In the Fall of 1941, foreseeing the desirability of adding to working capital of the business, your directors adopted a policy of selling its real estate if desirable prices and leases could be secured. Subsequently, the Davenport and Springfield properties were sold and arrangements are being made for the sale of the Peoria property. The net amount which will be received in cash upon the sale of the three properties will be approximately \$970,000 compared with their aggregate book value of approximately \$1,033,000. Each of the sales is for cash. Part of the proceeds received upon the sales were used to prepay the term bank loan referred to above. The aggregate rental under the leases entered into, and to be entered into, covering the property sold is approximately the same amount as heretofore charged by the subsidiaries for depreciation and interest charges.

Much of the improvement in the Company's earnings has been due to the splendid cooperation and efforts of our entire organization. The management takes this opportunity again to express its appreciation for the excellent work that has been and is being done by the organization during the present trying period with so many of our employees and officials in the service of our Country.

Yours very truly,

REAGAN P. CONNALLY,  
*President.*



INTERSTATE DEPAR  
AND SUBSIDIA  
CONSOLIDATED BALANCE S

ASSETS

CURRENT ASSETS:	As at January 31, 1942		As at January 31, 1941	
Cash on hand and in banks .....	\$1,034,323.83		\$ 748,222.93	
Accounts Receivable—Customers:				
Charge accounts .....	\$ 109,881.25		\$ 43,629.86	
Layaway, will call and c.o.d. accounts .....	423,641.65		287,458.18	
Deferred payment accounts (largely arising from conditional sales contracts under the terms of which approximately \$125,000.00 is not due within one year) .....	1,783,531.70		1,302,957.34	
	2,317,054.60		1,634,045.38	
Less: Reserves .....	234,421.44		138,954.14	
	2,082,633.16		1,495,091.24	
Due from insurance companies, vendors and others ...	111,763.98		74,774.23	
Less: Reserve .....	4,000.00		2,000.00	
	107,763.98	2,190,397.14	72,774.23	1,567,865.47
Note receivable and accrued interest (re: sale of real estate) .....	85,023.61			
Merchandise Inventories—(Note A):				
Merchandise at stores .....	3,802,793.14		2,884,949.42	
Merchandise at warehouses .....	969,173.14		191,406.92	
Merchandise in transit .....	318,293.35	5,090,259.63	235,402.11	3,311,758.45
Total Current Assets .....	8,400,004.21		5,627,846.85	
OTHER ASSETS:				
Deposits in closed banks, less reserve .....	593.62		593.62	
Miscellaneous other assets, including rent deposits, investments, due from landlords, employees, etc., less reserves .....	45,597.76	46,191.38	45,804.10	46,397.72
FIXED ASSETS—At Cost:				
Land and buildings .....	750,000.00		1,200,000.00	
Less: Reserve for depreciation .....	102,210.63		143,248.27	
	647,789.37		1,056,751.73	
Alterations and improvements to leased premises ....	717,609.88		673,934.41	
Less: Reserve for depreciation .....	398,417.64		347,295.93	
	319,192.24		326,638.48	
Furniture and fixtures .....	1,137,549.60		935,749.27	
Less: Reserve for depreciation .....	446,579.05		416,760.04	
	690,970.55		518,989.23	
Delivery equipment .....	9,823.39		7,651.28	
Less: Reserve for depreciation .....	3,311.69		3,422.49	
	6,511.70	1,664,463.86	4,228.79	1,906,608.23
LEASEHOLDS .....	286,329.00		286,329.00	
Less: Reserve for amortization .....	154,583.99	131,745.01	140,984.39	145,344.61
DEFERRED CHARGES:				
Prepaid expenses, unexpired insurance, etc. ....	304,048.77		256,058.36	
Supplies .....	123,571.73	427,620.50	60,422.35	316,480.71
	\$10,670,024.96		\$8,042,678.12	

The Notes to Accounts are an integral part of this s



## TMENT STORES, INC.

RY COMPANIES

HEET AS AT JANUARY 31, 1942

## LIABILITIES

	As at January 31, 1942	As at January 31, 1941
CURRENT LIABILITIES:		
Notes payable—bank .....	\$ 300,000.00	
Accounts payable—trade .....	1,299,064.36	\$ 339,610.29
Accounts payable for merchandise in transit .....	306,150.09	220,453.79
Accrued salaries and expenses .....	378,689.36	222,455.33
Accrued Federal, state and other taxes .....	1,085,860.17	319,926.29
Sundry creditors and accruals .....	34,645.78	22,523.12
Dividends declared on preferred stock, payable February 1, 1941 .....		36,363.25
Current installment on mortgage payable and accrued interest thereon .....		19,354.17
Total Current Liabilities .....	3,404,409.76	1,180,686.24
Due to landlord—not current .....	15,709.74	26,666.68
Notes payable—bank—payable \$7,875.00 on June 1, 1943 and quarterly thereafter to March 1, 1946, and \$8,437.50 from June 1, 1946 to March 1, 1948 .....	162,000.00	
Notes payable—bank—payable \$9,625.00 on June 1, 1942 and quarterly thereafter to December 1, 1945, and \$10,312.50 from March 1, 1946 to December 1, 1947 .....		226,875.00
First Mortgage 5% Gold Bonds, Series A, \$15,000.00 due March 1, 1941 and annually thereafter to March 1, 1948, and \$90,000.00 due March 1, 1949 .....		\$ 209,000.00
Less: Current installment included above....		15,000.00
Total Liabilities .....	3,582,119.50	1,628,227.92
Reserves for replacement of fixtures .....	11,250.00	11,250.00
Minority interest in subsidiary company .....	7,258.61	6,067.65
CAPITAL STOCK:		
Preferred Stock 7% Cumulative, par value \$100.00 per share (redeemable and entitled upon liquidation, dissolution or winding up of affairs, whether voluntary or involuntary, to \$110.00 per share or an aggregate of \$2,214,740.00 on January 31, 1942 and accrued dividends)—(Note B):		
	Shares	Shares
Authorized and issued .....	24,800	24,800
Less: Held in treasury for retirement .....	4,666	4,021
Outstanding .....	20,134	20,779
Common Stock—Without Par Value:		
Authorized .....	320,000	320,000
Issued .....	308,946	308,946
Less: Reacquired and held in treasury .....	7,100	7,100
Outstanding .....	301,846	301,846
SURPLUS—PER STATEMENT No. 3:		
Earned surplus .....	1,410,442.85	677,813.83
Appropriated surplus .....	35,500.00	35,500.00
Capital surplus .....	2,065,302.47	2,061,167.19
	\$10,670,024.96	\$8,042,678.12

statement and must be read in conjunction herewith.



**INTERSTATE DEPARTMENT STORES, INC.**  
AND SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS**  
**FOR THE YEAR ENDED JANUARY 31, 1942**

	For the Year Ended January 31, 1942		For the Year Ended January 31, 1941	
NET SALES:				
Owned departments .....	\$27,505,154.99		\$22,099,107.98	
Leased departments .....	3,796,955.17	\$31,302,110.16	3,352,771.90	\$25,451,879.88
COST OF GOODS SOLD, SELLING, OPERATING, CREDIT AND COLLECTION EXPENSES, net of carrying charges on de- ferred payment accounts, and administrative expenses, (including interest on mortgages and notes, classified as rent)—exclusive of depreciation and amortization.....		29,055,652.50		24,550,228.67
		2,246,457.66		901,651.21
LESS: Depreciation on buildings, alterations and im- provements, fixtures, equipment, etc. ....	177,460.49		166,133.89	
Amortization—leaseholds .....	13,599.60	191,060.09	13,295.38	179,429.27
		2,055,397.57		722,221.94
		36,551.79		9,137.49
OTHER INCOME AND DEDUCTIONS—NET .....		2,018,845.78		713,084.45
Proportion of profit of a subsidiary company applicable to its minority interest .....		1,190.96		777.67
NET PROFIT, BEFORE PROVISIONS FOR FEDERAL INCOME AND EXCESS PROFITS TAXES .....		2,017,654.82		712,306.78
PROVISION FOR FEDERAL INCOME TAXES .....	520,000.00		162,602.65	
PROVISION FOR FEDERAL EXCESS PROFITS TAXES .....	380,000.00	900,000.00	15,263.55	177,866.20
NET PROFIT—Statement No. 3 .....		\$ 1,117,654.82		\$ 534,440.58

*Red figures are designated by italics.*

The Notes to Accounts are an integral part of this statement and must be read in conjunction herewith.

## STATEMENT NO. 3

**CONSOLIDATED STATEMENT OF SURPLUS**  
**FOR THE YEAR ENDED JANUARY 31, 1942**

	January 31, 1942	January 31, 1941
EARNED SURPLUS:		
Balance—January 31, 1941-1940.....	\$ 677,813.83	\$ 383,375.30
Dividends paid on Preferred Stock—four quarterly dividends.....	143,549.00	149,448.25
Dividends paid on Common Stock .....	241,476.80	90,553.80
Net profit for the year ended January 31, 1942-1941 .....	1,117,654.82	534,440.58
Balance—January 31, 1942-1941—per Statement No. 1.....	\$1,410,442.85	\$ 677,813.83
APPROPRIATED SURPLUS:		
Balance—January 31, 1941-1940 .....	\$ 35,500.00	\$ 35,500.00
Balance—January 31, 1942-1941—per Statement No. 1 .....	\$ 35,500.00	\$ 35,500.00
CAPITAL SURPLUS:		
Balance—January 31, 1941-1940 .....	\$2,061,167.19	\$2,044,868.14
Discount on 7% Preferred Stock purchased for redemption (645 shares January 31, 1942, 1,151 shares January 31, 1941) .....	4,135.28	16,299.05
Balance—January 31, 1942-1941—per Statement No. 1 .....	\$2,065,302.47	\$2,061,167.19

*Red figures are designated by italics.*

The Notes to Accounts are an integral part of this statement and must be read in conjunction herewith.



**INTERSTATE DEPARTMENT STORES, INC.**  
**AND SUBSIDIARY COMPANIES**

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**NOTES TO ACCOUNTS**  
**AS AT JANUARY 31, 1942**

NOTE A— Merchandise inventories at warehouses includes \$430,751.75 of the Company's merchandise billed by vendors, but held by them pending delivery instructions from the Company.

Merchandise inventories are stated on the following bases which are consistent with those used in the preceding year:—

At Stores— At the lower of cost, or market, as calculated by the retail method of inventory valuation.

At Warehouses—At the lower of cost (substantially on the "First in, First out", basis) or replacement market.

In Transit— At specific invoice cost.

NOTE B— The Company is obligated to reacquire for retirement by redemption or purchase at least 3% (975 shares) annually, of the largest amount in par value of the Preferred Stock which shall ever have been issued and outstanding. As at January 31, 1942 the Company held 4,666 shares of Preferred Stock in the treasury, of which 4,000 shares were reacquired for retirement in accordance with requirements of prior years. On or before the 31st day of December 1942, the Company is obligated to reacquire an additional 309 shares of its Preferred Stock.

The financial statements are subject to the final determination of Federal, state and other taxes.

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**ACCOUNTANTS' REPORT**

TO THE BOARD OF DIRECTORS,

INTERSTATE DEPARTMENT STORES, INC.,

NEW YORK, N. Y.

We have examined the consolidated balance sheet of Interstate Department Stores, Inc. and subsidiary companies as at January 31, 1942 and the consolidated statements of income and profit and loss and surplus for the year then ended; have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Our examination of the merchandise inventories included a general review of the inventory procedures and records, including the retail inventory records, and tests to determine the mathematical accuracy of the inventory schedules. In addition, our representatives were present at thirteen representative stores, which we selected for test purposes to determine that the inventory procedures were carried out effectively and to make tests of the quantities in the inventory. We also communicated directly with vendors who are holding Company's merchandise pending delivery instructions from the Company. Our examination of the customers' accounts receivable included tests by direct communication with a selected number of customers at thirteen of the stores selected by us.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and profit and loss and surplus, together with the Notes to Accounts, present fairly the consolidated position of Interstate Department Stores, Inc. and subsidiary companies at January 31, 1942, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & Co.

New York, N. Y.

March 31, 1942.



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